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PRIME MINISTER

THE STANDARD COMMUNITY CHARGE

At Cabinet yesterday morning I undertook to give you some advice on the arrangements for the standard community charge.

Many people liable to the standard charge are straightforward second homeowners. Though their outgoings will very often be higher than under rates if the standard charge is pitched at double the personal charge for the area, I do not think that there is widespread public concern about them. A minority of second homeowners are in a different position however, and as I said to you in my minute of 9 February we can expect, as in Scotland, a good deal of representation and press comment which suggests that under the new arrangements we are treating them unfairly.

Some of the difficulties which Malcolm Rifkind had encountered were discussed in E(LF) on 11 July 1989 and in subsequent correspondence it was decided that apart from the prescription of one or two additional classes under which the standard charge would be limited, we should not seek to deal with the matter from the centre. We also decided to not reduce the maximum multiplier to 1 but to maintain it at 2 in the knowledge that most standard charges would be set at the maximum rate. Instead, we provided wider discretionary powers in the Local Government and Housing Act 1989 in all three countries to allow local authorities to moderate the burden of the standard charge in circumstances specified by them.

The attached note summarises both the legal arrangements and the main sorts of case in which we can expect strong representations. Our room for manoeuvre to alter the position for 1990/91 is severely limited. In order to allow local authorities to have a sound basis for budgetting, the 1988 Act (section 40(8)) requires us to use our powers to prescribe and amend standard charge classes for any

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financial year by 1 January in the preceding year. Local authorities themselves have to use their discretionary powers in relation to any financial year by 1 April of that year, so there is scarcely any time now for us to try through guidance to influence their arrangements for 1990/91.

Mandatory changes for 1990/91 would therefore have to be done by primary legislation. I would not recommend a special bill for the purpose: some of our colleagues, to say nothing of the Opposition, would want to take the opportunity of such legislation to bring forward provisions to make much more fundamental changes to the community charge arrangements which we might find hard to defeat. We should certainly be pressed to couple any changes for 1990/91 with specific financial help to compensate authorities for the reduction in the income which they have budgetted to receive from the standard charge - that income is not evenly distributed between authorities.

As you will see from the attached note, we have in fact already dealt with some of the cases mentioned:

- as under previous rating law, unoccupied unfurnished property awaiting sale is free from the standard charge for three months after it is vacated and the local authority has power to extend that period for as long as it wishes.
- where the owner has died, we have already provided that the estate should be free from any charge until probate and is then free for three months afterwards whether or not the property is furnished. The local authority again has power to extend this period.

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- we announced last October that people should be free from liability for 12 months, both where the property is vacant because a sick person has moved into someone else's house to be looked after, and where a property is vacant because someone has moved into the house of a sick person to care for them. The local authority has power to extend the period for as long as it wishes.

Apart from these cases, Malcolm Rifkind, Peter Walker and I have been under particular pressure from a range of people in tied accommodation (for example, service people, boarding-school teachers, ministers of religion, hospital doctors and nurses, and publicans) who also own a separate home so as to keep their foot in the housing market against the time when they will have to provide for themselves. They represent that mortgage tax relief encourages them to do this, but they are now being penalised through the standard charge compared with their former rate burden. Secondly, in England and Wales prisoners, and students subject to the 20% charge where they are studying, will represent that their position is less favourable than in Scotland where the multiplier on homes owned by such people has already been reduced to zero.

Local authorities can of course use their discretion to help these people as well as to give extended help to the other classes I have mentioned. Our information is limited at present. Enquiries in the last 24 hours suggest a somewhat variable position, as shown by the table at B.

I suggest that the right course for us to follow is to stress what we have already done, and to focus attention on those local authorities that have failed to react in a positive and constructive way. I have therefore asked my officials to obtain fuller information on the practice of authorities generally. If that information suggests that authorities are making insufficient use of their discretion, we could announce at a suitable moment in the summer or autumn that we shall use our power before 1 January 1991

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to prescribe new or amended classes generally for 1991/92 (it would not be wise to make any commitments now since the proposed beneficiaries would inevitably say that they were being unfairly treated this year). If we thought it right we might for example limit the standard charge to no more than one personal charge, either generally or for certain sorts of people required by their employers to live in tied accommodation.

If we agreed that this was the right approach, it would be for me to bring forward carefully considered and costed proposals in a few months, once fuller information has been collected. In the meantime, you may wish me to circulate a factual note on the present position, and the provisions we have already made to help people in difficult circumstances.

I am sending copies of this minute to John Major, Norman Lamont, Malcolm Rifkind, Peter Walker and Sir Robin Butler.

RB Butler

RB CP
16 March 1990

(approved by the Secretary of State and signed in his absence)

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ANNEX A

THE STANDARD COMMUNITY CHARGE

1. The standard community charge applies where domestic property is not used as a sole or main residence. Charging authorities may levy it at one of five rates by applying one of the following multipliers to their personal community charge: 0, $\frac{1}{2}$, 1, $1\frac{1}{2}$ or 2. Maximum multipliers have been prescribed by the Secretary of State for certain types of property which are listed in Annex 1.

2. As well as discretion on the rate of the standard charge authorities also have power to specify their own classes of property for the purposes of the charge. There are two constraints on the exercise of this discretion: the classes must not conflict with those prescribed by the Secretary of State; and they must be specified only by reference to factors set out in the legislation. A list of these factors is at Annex 2. It will be seen that they specifically prohibit authorities from taking account of the financial circumstances of the individual; and they do not list the size, value, or physical characteristics of the property as factors which can properly be taken into account. This was to prevent authorities introducing standard charge regimes which were either directly linked to income, or which effectively reintroduced the rating system by linking the level of the charge to the value of the property.

3. The scope for making any changes to the standard charge is limited by a statutory requirement that the Secretary of State must specify maximum multipliers before 1 January if they are to have effect in the next financial year. It is therefore too late to add any more centrally prescribed classes for 1990-91. A local authority which decides to specify its own classes must do so before 1 April. It is not possible to specify new classes of property to have effect in a financial year after the beginning of that financial year.

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SPECIFIC CASES: CARERS

4. People who have to move into the home of a sick relative in order to care for them already have protection under the standard charge provisions. The Secretary of State has prescribed a zero rate of charge for such properties for 12 months after they become unoccupied even if that was before 1 April 1990. Local authorities have complete discretion to extend the period for this kind of property, and so the only way to ensure more generous treatment is by central prescription, which could either extend the period, or provide that such property could always obtain relief from the standard charge no matter how long it had been unoccupied.

MOVERS

4. People who are forced to move areas because of their jobs but who have difficulty selling their home have a statutory minimum of three months during which the property (provided it is substantially unfurnished) benefits from complete relief from the standard charge. Local authorities have power to specify a longer period for such property if they wish. This reflects the current position with rates. Because the three month period starts from the date on which the property actually became unoccupied, owners of properties which have already been unoccupied for longer than three months may have to pay immediately from April. Again, since authorities already have complete discretion in these cases the only way to ensure more generous treatment is central prescription of a longer period.

INHERITED PROPERTY

6. Property which has become unoccupied because of the death of the owner receives total relief from the standard charge for three months after the grant of probate or letters of administration (whether the property is furnished or unfurnished). Again local authorities have

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complete discretion to extend this period if they wish, so more generous treatment ^{across the board} could come only from central prescription.

TIED ACCOMMODATION

7. There is no special protection for people who have to live away from home as a condition of their employment (such as teachers, publicans, the clergy and others living in tied accommodation), though charging authorities were advised by the Department to consider exercising their discretion to specify a lower multiplier for such property in November last year. Relief in future years could be provided through a centrally prescribed class of property.

STUDENTS

8. Students have to pay only 20% of the personal community charge; but where they have a home which is unoccupied during their course they are subject to a standard charge. The standard charge affects such students particularly badly, since they are deemed to be resident at their term time address for the whole of their course, including the vacation; so they can be subject to the standard charge even for periods when they are living in the property. There is a centrally prescribed class for students in Scotland. Authorities in England have been advised to consider prescribing their own classes; but consistency can be ensured only through central prescription.

PRISONERS

9. Prisoners are exempt from the personal charge altogether; but are not exempt from any standard charge payable on their home if it is unoccupied while they are in detention. There is thus a class of people who are exempt because they cannot vote and have no means to pay the personal charge; but who can be asked to pay up to twice that amount in standard charge. Prisoners' property is a centrally prescribed class in Scotland, but is a matter for local discretion in England and Wales.

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ANNEX 1

CLASSES FOR WHICH MAXIMUM MULTIPLIERS HAVE BEEN PRESCRIBED BY THE SECRETARY OF STATE

Maximum multiplier of zero

Uninhabitable properties needing structural repair, until 6 months after the works have been completed;

Newly built property or property undergoing structural alterations, until 6 months after completion;

Unoccupied unfurnished property, until three months after it was last occupied;

Unoccupied property where the owner has become exempt from the personal charge by becoming resident in a hospital or residential care home;

Property unoccupied because the owner has died, until 3 months after the grant of probate or letters of administration;

Property whose occupation is prohibited by law, or action taken by a public body to prevent its occupation with a view to acquiring it;

Unoccupied property being held for occupation by a minister of religion as a place from which to perform the duties of his office;

Unoccupied property where the owner is being cared for in the community, until 12 months after the property was last occupied;

Unoccupied property where the owner has gone to live with someone to care for them, until 12 months after the property was last occupied;

Maximum multiplier of 1

Caravans (ie mobile homes) on a protected site;

Property which, as a condition of a planning consent, may not be occupied throughout the year.

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ANNEX 2

FACTORS WHICH CHARGING AUTHORITIES MAY TAKE INTO ACCOUNT IN SPECIFYING
STANDARD CHARGE CLASSES

The use to which properties are put or intended to be put;

Whether properties are occupied

The period for which properties have been unoccupied

The circumstances, other than financial circumstances, of persons
subject to standard charges

The capacity in which persons are subject to standard charges

Whether properties fall within a class prescribed by the Secretary of
State

The periods for which unoccupied properties have previously been
occupied

The periods for which properties would have been unoccupied if periods
of occupation were deemed to be periods of unoccupation (a technical
factor to allow authorities to prevent indefinite extension of relief
by short periods of residence in otherwise unoccupied premises)

The period which has elapsed since the grant of probate or letters of
administration

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STANDARD COMMUNITY MULTIPLIERS: LOCAL AUTHORITIES USE OF DISCRETION

TABLE B.

The Department has no comprehensive information on the use that authorities make of their discretion to set their own classes and to adopt differential multipliers. Information on this will not be available until June 1990. A very quick telephone survey of 7 local authorities (3 city areas and 4 rural districts) revealed that all but one had given thought to and had used their discretion in a wide variety of ways. As the table below shows:-

- a. Five authorities had established special arrangements for the owners of dwellings who were required to live elsewhere as a condition of employment. This is a very wide category of circumstances which includes boarding school teachers, caretakers and publicans.
- b. Three authorities out of seven had used their discretion to extend the concession for people who move house, for people who move to care for or be cared for or for people who inherit an empty house on the death of a relative.
- c. One authority had set a general multiplier of less than 2.
- d. One authority had made no special arrangements other than those prescribed by the Secretary of State.

	General Multiplier M	Movers 1st 3 months =0	Carers 1st 12 months =0	Tied Accommodation no max multi- plier	Death 6 months after probate = 0	Others No maximum multiplier prescribed
Bradford City	2	no extension	over 12month = 0	M = 1	0 - 6months = 0 6 - 12months =0	holiday lets = 1½ prisoners = 0
Penwith Cornwall	1½	0-3 = 0 3-6 = 0 6-12 = 1	no extension	M = 1	0-6 = 0 6-12 =1	Students = ½
Suffolk Coastal	2	no extension	no extension	M = 2	no extension	None
Wandsworth	2	no extension	over 12 months = 0	M = 0	no extension	Charities} Students } = 0 prisoners}
Westminster	2	no extension	over 12 months = 0	M = 2	0-6 =0 6-12=0	Prisoners after 12mths =1 None

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ANNEX B

West Wiltshire 2

0-3 = 0
3-6 = 0

no extension

M = 0 for 12
months

no extension

prisoners = 0
Students = 0

Woodspring 2

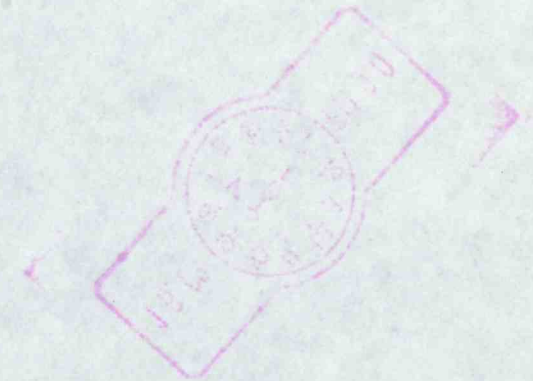
0-3 = 0
3-6 = 0
6-12 = 1

no
extension

M = 1

no
extension

Students = 0
Prisoners = 0



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